

Charity Assets Trust

Positive absolute returns with low volatility for charities

During July, the fund price rose by 0.4%. This compared to the FTSE All-Share TR which rose by 4.4% and a rise of 2.6% in the FTSE Govt All Stocks Index (all figures total returns in sterling).

In June almost all asset classes posted a negative return in the face of a surprise increase in the US inflation rate (US CPI rose from 8.3% to 8.6%) and the prospect of increased monetary tightening by the US Federal Reserve. In July, risk appetite roared back even as inflation increased again, from 8.6% to 9.1%, and the US Federal Reserve increased interest rates by 75bps for the second month in a row. The fund was broadly flat on the month, its defensive positioning articulated in last month's factsheet holding it back. Underneath the surface, performance contributions from the fund's equity exposure (+1.3%) and UK long-dated index-linked bonds (+1.1%) were offset by the unconventional protections (-1.9%) and gold exposure (-0.5%).

What explains the positive market outturns in a month which, according to Deutsche Bank, saw one of the steepest quarter-on-quarter declines in underlying company earnings in the last decade? We are back in the territory of bad news being good news for equity and bond markets. Over the last few months, investor expectations have shifted from stagflation risk to recession risk and are now starting to re-price the re-establishment of a Fed 'put' – the moment when the US Federal Reserve will abandon its monetary tightening and focus on growth stabilisation which will either directly or indirectly support equity markets. Interest rate futures now price that the central bank will be cutting interest rates by early next year.

How likely is this outcome? Possible, but not likely. We have been through numerous 'unprecedented' events in the last few years. 'Unprecedented' amounts of peace-time fiscal stimulus in 2020 and 2021, combined with 'unprecedented' monetary policy; but it would be truly unprecedented to slow the economy sufficiently to bring down the highest inflation rate for 40 years with an after-inflation policy rate that never goes positive. It would require a much deeper economic slowdown than is implied in 2023 earnings estimates, which have barely budged.

This bear market is not over, and we believe that we are entering its most dangerous phase. Liquidity is being drained from the financial system. Jamie Dannhauser, Ruffer's Economist, covered this in detail in the latest [Green Line](#). The interest rate on US dollar short-dated bonds is now providing a genuine alternative to taking risk. One of the pushbacks to the view that a move lower in equity markets was likely, was the already extremely bearish investor sentiment and positioning. A low-liquidity summer rally, sucking in those who can't afford relative underperformance, should see this box ticked. We have used the last month's moves to reduce direct equity exposure further to try and ensure the portfolio is robust to the risks we see. Capital preservation is at the forefront of our minds.

Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally invested. The value of overseas investments will be influenced by the rate of exchange.



Investment objective

The fund aims to achieve low volatility and positive returns from an actively managed portfolio of different asset classes, including equities, bonds and currencies. Pervading this objective is a fundamental philosophy of capital preservation.

Responsible Investment Policy

The fund has strict restrictions on investment in alcohol, armaments, gambling, pornography, tobacco, oil sands and thermal coal. It also follows a proactive voting and engagement approach with companies held within the fund. The fund is monitored against UN Global Compact principles, MSCI's ESG Metrics and the managers also monitor the fund's carbon metrics.

Performance since launch on 8 March 2012



Accumulation units	Performance %	Unit price as at 29 July 2022	p
July 2022	0.4	Accumulation	171.92
Year to date	2.0	Income	142.63
1 year	5.0		
3 years	29.1		
5 years	31.9		
10 years	78.1		

12 month performance to June %	2018	2019	2020	2021	2022
Charity Assets Trust Acc	1.9	-1.8	8.7	15.6	4.0
FTSE All-Share TR	9.0	0.6	-13.0	21.5	1.6
FTSE Govt All-Stocks TR	1.9	4.9	11.2	-6.2	-13.6

Source: Ruffer LLP, FTSE International (FTSE) †

Charity Assets Trust as at 29 Jul 2022

Asset allocation



Asset allocation %

Short-dated bonds	18.4
Non-UK index-linked	17.8
Illiquid strategies and options	16.6
Index-linked gilts	9.6
Cash	9.1
Long-dated index-linked gilts	8.1
Gold exposure and gold equities	1.7
UK equities	6.8
Japan equities	4.0
North America equities	3.9
Europe equities	3.3
Other equities	0.9

Currency allocation %

Sterling	65.6
Yen	13.9
US dollar	11.3
Australian dollar	5.3
Euro	2.7
Other	1.2

Currency allocation



10 largest equity holdings*

Stock	% of fund
BP	2.3
Aena SME SA	0.9
NEC	0.8
Hertz	0.8
Sumitomo Mitsui Financial Group	0.7
Unilever	0.5
NatWest Group	0.5
Associated British Foods	0.5
Fuji Electric	0.5
UniCredit	0.5

5 largest bond holdings

Stock	% of fund
US Treasury 0.125% TIPS 2023	7.6
US Treasury 0.375% TIPS 2023	4.9
US Treasury 0.625% TIPS 2023	4.8
UK Treasury index-linked 0.125% 2024	4.7
US Treasury FRN 2023	3.8

*Excludes holdings in pooled funds

Source: Ruffer LLP.

Pie chart totals may not equal 100 due to rounding.

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Fund size **£219.9m**

Fund information

	%
Ongoing Charges Figure	1.18
Annual management charge	1.0 + VAT
Maximum initial charge	1.0
Yield	1.37
Minimum investment	£500
Ex dividend dates	15 January, 15 April, 15 July, 15 October
Pay dates	15 March, 15 June, 15 September, 15 December
Dealing	Weekly forward, every Wednesday where this is a business day Plus the last business day of the month

Cut off Close of business on Wednesday

Unit classes Accumulation and income

ISIN	Accumulation GB00B740TC99	Income GB00B7F77M57
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SEDOL B740TC9 B7F77M5

Manager and investment adviser Ruffer AIFM Limited

Trustee BNY Mellon Fund & Depository (UK) Ltd

Custodian Bank of New York Mellon SA/NV

Administrator Bank of New York Mellon (International) Limited

Auditors Ernst & Young UK LLP

Legal advisers Simmons & Simmons LLP

Structure Common Investment Fund established under section 24 of The Charities Act 1993

Eligible charities are those registered as a charity with the Charity Commission for England and Wales, the Office of the Scottish Charity Regulator and/or Inland Revenue Charities, Bootle, Merseyside (including charities established in Northern Ireland), or exempt from registration with the Charity Commission by virtue of the Charities Act 1993 (as amended).

Fund Managers

Jos North

INVESTMENT DIRECTOR

Joined Ruffer in 2012, having graduated from Edinburgh University with an MA Honours in French and Spanish. He became a member of the Chartered Institute of Securities & Investment following completion of the CISI Diploma, receiving the highest mark in that year. He manages portfolios predominantly for institutional clients.



Jenny Renton

INVESTMENT DIRECTOR

Joined Ruffer in 2013 and leads Ruffer's US team and co-manages two of Ruffer's flagship funds. Previous roles included oil and gas companies and the fund team at Ingenious Investments. She is a CFA charterholder.



Ajay Johal

INVESTMENT MANAGER

Joined Ruffer in 2014 from Barclays Wealth. In 2019, he worked as an equity analyst in Ruffer's Hong Kong office, then joined the charities team in London as an Investment Manager. He holds a degree in history and sociology from the University of Warwick and is a member of the Chartered Institute of Securities & Investment.



Ruffer LLP

Ruffer LLP manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 30 June 2022, assets managed by the Ruffer Group exceeded £26.0bn.

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